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SUBJECT: (C) NIGERIA: PRIVATIZATION DIRECTOR TO QUIT JOB
OVER GSM EQUIPMENT CONTRACT

REF: (A) ABUJA 1679 (B) LAGOS 1933

Classified by Ambassador Howard F. Jeter for Reasons 1.5 (B)
and (D).

1. (S) Summary. Ambassador Jeter hosted Nasir El-Rufai, Director-General of the Bureau for Public Enterprises (BPE), for lunch on August 1 to discuss the current status of the NITEL GSM Equipment contract. EconOff attended as notetaker.

El-Rufai was very candid about his relationship with the Vice President, the Vice President's stake in awarding the GSM contract to Ericsson, and his own intention to leave his position as head of the GON privatization agency. El-Rufai claimed that the Vice President had manipulated the contract award in favor of Ericsson and that this case is just one example of what is commonly practiced in the Executive branch, e.g., cushioning or manipulating contracts for personal and political gain. He stated that because the President believes him capable of manipulating the tendering process, as alleged by Ericsson, he has no other choice but to resign his position at the BPE. End Summary.

2. (C) On August 1, Ambassador hosted a private lunch for Nasir El-Rufai to candidly discuss the NITEL GSM Equipment contract, valued at approximately USD 40 million. (See reftels for background on this issue.) In the intimate setting of the Ambassador's residence, El-Rufai stated that NITEL/Ministry of Communications was continuing to negotiate the contract terms with Ericsson. According to El-Rufai, the GON asked Ericsson to deliver the products and services at Motorola's bid price, which was USD 10 million less than Ericsson's bid of USD 49 million. El-Rufai did not believe Ericsson could fulfill the contract provisions at that price, commenting that conclusion would only be reached if the two sides agreed to cut 25 percent of the contract, through, for example, reducing the number of proposed base stations. But, El-Rufai said, "that 25 percent would have to be paid for by someone."

3. (C) When asked whether the President and Vice President might reconsider the contract award, El-Rufai replied no, despite the difficulties over negotiations, the Vice President would "lose face" if Ericsson did not receive the contract. However, El-Rufai did feel that a compromise could be found that would allow the Vice President to save face and allow Motorola to participate. He suggested that Ericsson and Motorola split the contract: Ericsson could provide the switching network and Motorola could provide the base stations. He noted that this would allow each company to provide the service in which it specializes. Because the base stations represent a greater portion of the contract, he recommended offering Ericsson some of the sub-contracting work, such as the air conditioning towers and power generation units, where neither company has specific expertise. (Comment. El-Rufai's suggestions may not carry much weight, as he is not currently participating in the negotiations with Ericsson. End Comment.)

4. (C) El-Rufai expressed his deep displeasure with events immediately preceding the contract award to Ericsson. In a recent meeting with President Obasanjo, the two discussed Ericsson's allegations that El-Rufai had manipulated the tendering process to ensure Motorola's success. (Note. El-Rufai had written a lengthy letter to President Obasanjo on July 8 defending his role in the tendering process and pointing to the questionable activities of the Vice President's Aide-de-Camp, who acted on behalf of Ericsson. At the time of El-Rufai's meeting with Obasanjo, however, the President had not read this letter. End Note.)

5. (C) El-Rufai commented that he would have preferred to wait until the President had read his letter before discussing it with him. During the meeting, President Obasanjo told El-Rufai that he had total confidence in the

BPE Director-General, but that he believed El-Rufai was clever enough to have manipulated the tendering process from the outset to ensure Motorola's success. The President then said that El-Rufai had three problems: first, that there was a popular perception that El-Rufai is "too clever"; second, in fact, he is "too clever"; and third, his attitude towards Ministers and the Vice President is not sufficiently respectful or deferential.

16. (C) El-Rufai asked the President for permission to sue Ericsson for defamation. Obasanjo reportedly refused this request because of the negative political repercussions on the Presidency. The President then asked El-Rufai what else he could do for him. El-Rufai requested permission to leave his position as Director-General of the BPE. El-Rufai argued with the President that he could not oversee the country's privatization program if Obasanjo believed that El-Rufai was capable of manipulating the tendering process. However, El-Rufai said, the President refused to allow him to quit.

17. (C) El-Rufai confided to the Ambassador that despite the President's refusal, he still intended to leave the BPE after a 2-3 month period. He said that he would not leave too soon after the GSM Equipment tendering in order to avoid speculation over the causes for his departure. El-Rufai added that over the next few months he would expose his deputy, Tijjani Abdullahi, and the Legal Department Head, to his contacts at the Presidency in hopes that the President would choose one of them as his successor. However, he admitted that neither of them had political connections or a close relationship with the Presidency. El-Rufai asked for the support of the donor community in advocating for the new BPE Director-General to come from within the agency's ranks.

18. (C) Ambassador Jeter expressed sincere regret that El-Rufai had decided to leave public service. The Ambassador believed that the privatization program would severely suffer and so would Nigeria. While El-Rufai seemed to appreciate these sentiments, he did not soften his position on leaving the job.

19. (C) El-Rufai also showed a great deal of resentment toward Ericsson and promised to "get them" at a later time. He said that "time is on my side" and that he was sure that sometime in the future Ericsson would need his help and he would be able to refuse them.

110. (S) The Ambassador asked about the quality of El-Rufai's personal relationship with the Vice President, noting that in public their relationship had always appeared close. El-Rufai replied that, yes, he had believed their relationship was good. He commented that the Vice President had never asked him to do anything unsavory or to "bring him deals." He said, however that a friend heard from former Senate President Chuba Okadigabo, who is close with the Vice President and helps him to "raise money" for the campaign war chest, that the Vice President was unhappy with El-Rufai's performance because El-Rufai had never brought him a single "deal" (read kickbacks).

111. (S) El-Rufai explained that the Vice President worked through the Ministers, particularly the Minister of Works and Housing, to manipulate public contracts for both building the campaign war chest for the 2003 Presidential elections and, he assumed, for personal gain. El-Rufai said that the President was not a wealthy man and would not likely receive campaign support from his supporters during the last election. (Comment. The PDP party itself is barely solvent and would not be able to offer the President much financial support. End Comment.) Therefore, El-Rufai said, the President was tacitly complicit in the Vice President's "fund raising" activities, but never involved himself directly so as to "stay clean." El-Rufai commented that the Vice President came from a "dirty" background in the Customs Service and had continued these practices in the Villa. El-Rufai implied that the NITEL GSM Equipment contract was an example of such activities.

112. (S) Comment. Many in the international community respect Nasir El-Rufai for his integrity and forthrightness. El-Rufai's departure from public service would be a devastating blow to the GON's image of transparency and good economic governance. Embassy officers have heard many times from many sources that the Vice President is directly involved in corrupt activities. El-Rufai's testimony provides more anecdotal evidence supporting these sources. With El-Rufai gone, the Vice President will be more able to manipulate the country's privatization process for personal and political gain. End Comment.
Jeter